Investment Idea

LAC Med Berhad

Pivoting to Recurring

By Crystal Chin

BUY

Price: RM0.84
Target price: RM1.21

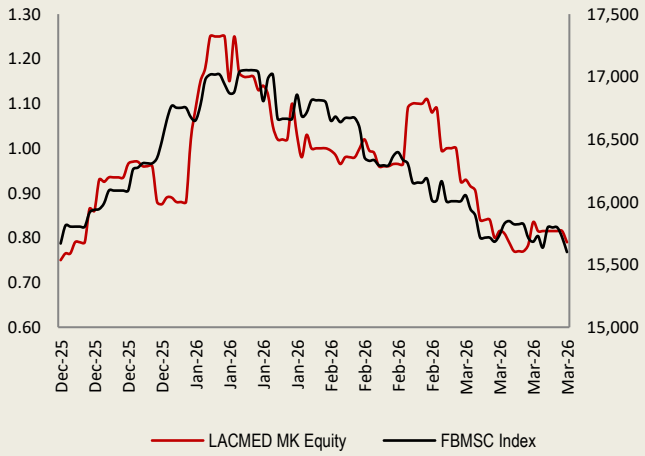
LAC Med Berhad (LACMED: 5341), specialises in the supply and integration of medical devices and software systems. FY25 results came in line with our expectations. We raise FY26F core net profit by 7% to RM28.5m on stronger recurring income visibility and introduce FY27F at RM33.0m. Following the earnings revision, we maintain BUY call with a higher TP of RM1.21 (previously RM0.93), based on a slightly higher FY26F PER of 17x (previously 14x), reflecting stronger earnings visibility on the back of a growing recurring income base.

Under the Malaysia Year of Medical Tourism 2026 (MYMT 2026), the country targets RM12bn in medical tourism revenue by 2030 (from RM2.72bn in 2024), requiring sustained hospital capacity expansion and medical device investment. LACMED's 11-brand portfolio spanning imaging, diagnostics, and ICT integration positions it as a direct and diversified beneficiary across the hospital capex and opex chain. LACMED with 58% coverage of hospitals in Malaysia is in good position to capture the rising healthcare capex. This is further reinforced by over 300 active customer accounts and over 2,600 installed medical devices across its clientele network.

LACMED's related services and products recurring income segment delivered robust growth of 60% YoY in FY25, growing to RM24.4m, demonstrating the company's ability to build a steady income stream. Management has guided for recurring income to contribute a full year revenue c.20% in FY26, which translates to c.RM48.3m based on our projected FY26 total revenue of RM241.5m. This is underpinned by the rising demand of consumables that local hospitals require to operate daily. Additionally, the maintenance agreement secured in June 2025 from Philips covering MRI Machines and CT Scanners across Malaysia further solidifies the recurring income pipeline, providing contracted revenue visibility.

LACMED's near-term earnings is well-anchored by RM216.7m order book as at 15 February 2026, of which management expects over 60%, c.RM130m to be recognised within FY26. The tender book stood strong at RM584m as of the same date, and with a targeted win rate of 25%-30%, will be able replenish up to RM175.2m new jobs, supporting earnings visibility beyond FY26. Beyond this, the Indonesia expansion via PT Fairmed (since July 2025) introduces new growth, with management guiding c.5% revenue contribution in FY26. PT Fairmed was also appointed as the exclusive distributor of ultrasound equipment by Alpinion Medical Systems Co., Ltd in Indonesia.

We continue to like LACMED for its (i) market leadership in medical device distribution with exclusive brand rights (ii) direct exposure to Malaysia's policy-backed healthcare expansion via MYMT 2026, and (iii) robust growth on recurring income.



KLCI	1,710.89
YTD FBM KLCI change	+1.83%
YTD FBM SC Index change	-5.45%
YTD stock price change	-6.74%

Stock Information

Market Cap (RMm)	316.0
Issued Shares (m)	400.0
52-week range (H)	1.34
52-week range (L)	0.75
Shariah Compliant	Yes

Major Shareholders

Liew Yoon Poh	20.9%
Liew Yoon Kit	16.4%
Giam Teck Eng	16.4%

Summary Earnings Table

FY Dec (RM'm)	2024A	2025A	2026F	2027F
Revenue	183.2	201.6	257.0	298.1
EBIT	27.5	31.6	41.2	47.7
Pretax profit	27.0	30.9	40.2	46.6
PATMI	**20.4**	**21.6**	**28.5**	**33.0**
Core PATMI	**20.4**	**21.6**	**28.5**	**33.0**
Consensus	-	-	-	-
Core EPS (sen)	5.1	5.4	7.1	8.3
EPS growth (%)	-2%	6%	32%	16%
DPS (sen)	4.6	1.3	2.1	2.5
PER (x)	15.9	15.0	11.4	9.8
BV/Share (RM)	0.30	0.37	0.45	0.57
ROE (%)	43.3%	17.2%	16.2%	17.4%
Div. Yield (%)	5.7%	1.5%	2.6%	3.1%

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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